

FRANKLIN FINANCIAL SERVICES CORP /PA/
Form 10-Q
May 08, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2008,

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-12126

FRANKLIN FINANCIAL SERVICES CORPORATION

(Exact name of registrant as specified in its charter)

PENNSYLVANIA
(State or other jurisdiction of
incorporation or organization)

25-1440803
(I.R.S. Employer
Identification No.)

20 SOUTH MAIN STREET (P.O. BOX 6010), CHAMBERSBURG, PA 17201-0819

(Address of principal executive offices)

OR

717/264-6116

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes No

There were 3,834,557 outstanding shares of the Registrant's common stock as of April 30, 2008.

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Part I FINANCIAL INFORMATION

Item 1 Financial Statements**Consolidated Balance Sheets**

(Amounts in thousands, except per share data)

(unaudited)

	March 31 2008	December 31 2007
Assets		
Cash and due from banks	\$ 22,717	\$ 17,871
Fed funds sold	1,000	7,400
Interest bearing deposits in other banks	729	220
Total cash and cash equivalents	24,446	25,491
Investment securities available for sale	156,660	164,990
Restricted stock	4,649	3,916
Loans held for sale		476
Loans	588,981	571,617
Allowance for loan losses	(7,393)	(7,361)
Net Loans	581,588	564,256
Premises and equipment, net	13,953	13,862
Bank owned life insurance	18,381	18,215
Goodwill	8,520	8,520
Other intangible assets	2,620	2,710
Equity method investment	3,911	4,077
Other assets	14,261	13,858
Total assets	\$ 828,989	\$ 820,371
Liabilities		
Deposits		
Demand (non-interest bearing)	\$ 88,569	\$ 84,920
Savings and interest checking	348,003	361,243
Time	156,440	160,114
Total Deposits	593,012	606,277
Securities sold under agreements to repurchase	76,247	68,157
Short-term borrowings	500	
Long-term debt	72,123	59,714
Other liabilities	9,193	8,581
Total liabilities	751,075	742,729
Shareholders equity		
Common stock \$1 par value per share, 15,000 shares authorized with 4,299 shares issued, and 3,835 shares and 3,845 shares outstanding at March 31, 2008 and December 31, 2007, respectively	4,299	4,299
Capital stock without par value, 5,000 shares authorized with no shares issued or outstanding		
Additional paid in capital	32,694	32,620

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Retained earnings	49,059	47,946
Accumulated other comprehensive income	40	664
Treasury stock, 464 shares and 454 shares at cost at March 31, 2008 and December 31, 2007, respectively	(8,178)	(7,887)
Total shareholders equity	77,914	77,642
Total liabilities and shareholders equity	\$ 828,989	\$ 820,371

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Income

(Amounts in thousands, except per share data)

(unaudited)

	For the Three Months Ended	
	2008	2007
		March 31
Interest Income		
Loans, including fees	\$ 9,643	\$ 9,546
Interest and dividends on investments:		
Taxable interest	1,366	1,598
Tax exempt interest	562	560
Dividend income	75	85
Federal funds sold	32	51
Deposits and obligations of other banks	4	12
Total interest income	11,682	11,852
Interest Expense		
Deposits	2,856	4,564
Securities sold under agreements to repurchase	608	913
Short-term borrowings	13	24
Long-term debt	691	488
Total interest expense	4,168	5,989
Net interest income	7,514	5,863
Provision for loan losses	215	150
Net interest income after provision for loan losses	7,299	5,713
Noninterest Income		
Investment and trust services fees	915	995
Loan service charges and fees	177	150
Mortgage banking activities	(109)	90
Deposit service charges and fees	592	547
Other service charges and fees	299	280
Increase in cash surrender value of life insurance	166	160
Equity method investments	(166)	(57)
Other	22	53
Securities gains, net	107	278
Total noninterest income	2,003	2,496
Noninterest Expense		
Salaries and benefits	3,101	2,815
Net occupancy expense	458	386
Furniture and equipment expense	216	254
Advertising	314	270
Legal and professional fees	248	267
Data processing	357	378
Pennsylvania bank shares tax	170	171
Intangible amortization	90	90
Other	895	1,062
Total noninterest expense	5,849	5,693
Income before Federal income taxes	3,453	2,516
Federal income tax expense	921	452
Net income	\$ 2,532	\$ 2,064

Per share data

Basic earnings per share	\$	0.66	\$	0.54
Diluted earnings per share	\$	0.66	\$	0.54
Cash dividends declared	\$	0.26	\$	0.25

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Shareholders' Equity**for the Three Months Ended March 31, 2008 and 2007****(unaudited)**

(Dollars in thousands, except per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at December 31, 2006	\$ 4,299	\$ 32,251	\$ 42,649	\$ 236	\$ (7,821)	\$ 71,614
Comprehensive income:						
Net income			2,064			2,064
Unrealized loss on securities, net of reclassification adjustments and taxes				(170)		(170)
Total Comprehensive income						1,894
Cash dividends declared, \$.25 per share			(960)			(960)
Common stock issued under stock option plans		5			19	24
Treasury shares issued to dividend reinvestment plan		65				